

**TIRNO-92-C-00014**  
**Incurred Costs Audit**  
**Fiscal Year 1999**

**August 2001**

**Reference Number: 2001-1C-115**

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



INSPECTOR GENERAL  
for TAX  
ADMINISTRATION

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

August 1, 2001

MEMORANDUM FOR DAVID A. GRANT  
DIRECTOR OF PROCUREMENT  
INTERNAL REVENUE SERVICE

A handwritten signature in cursive script, reading "Pamela J. Gardiner", is positioned above the "FROM:" line.

FROM: Pamela J. Gardiner  
Deputy Inspector General for Audit

SUBJECT: Incurred Costs Audit - Fiscal Year 1999

The Defense Contract Audit Agency (DCAA) audited the contractor's Systems and Information Technology Group (S&ITG) Integration Segment's July 1, 2000, certified final indirect cost rate proposal and related books and records for reimbursement of Fiscal Year (FY) 1999 incurred costs. The purpose of the audit was to determine allowability of direct costs and indirect cost rates for January 2, 1999, through December 31, 1999. The proposed rates apply primarily to flexibility-priced contracts.

The DCAA considered the contractor's FY 1999 S&ITG accounting system adequate for the accumulation, reporting, and billing of costs under government contracts/subcontracts. However, the DCAA qualified its opinion because it is awaiting results of an assist audit. In addition, the DCAA noted that the contractor's indirect rates were not acceptable as proposed. In summary, the DCAA made a General and Administrative (G&A) base adjustment of \$12,225,756 for exclusion of the Non-Contract Support Authorization costs from the G&A Value Added Base.

The DCAA recommended that negotiations not be completed until it has had an opportunity to review and comment on the costs questioned in this report due to lack of supporting documentation and all other data provided by the contractor in support of its claim subsequent to issuance of this report.

The information in this report should not be used for purposes other than that intended without prior consultation with the Treasury Inspector General for Tax Administration regarding its applicability.

If you have any questions, please contact me at (202) 622-6510 or Maurice S. Moody, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-8500.

Attachment

# NOTICE:

The Office of Inspector General for Tax Administration has no objection to the release of this report, at the discretion of the contracting officer, to duly authorized representatives of the contractor.

The contractor information contained in this report is proprietary information. The restrictions of 18 USC 1905 must be followed in releasing any information to the public.

This report may not be released without the approval of this office, except to an agency requesting the report for use in negotiating or administering a contract with the contractor.

*The TIGTA seal was removed due to its size.*